

**Internal Revenue Service**

**Department of the Treasury**

District  
Director

10 MetroTech Center  
625 Fulton Street  
Brooklyn, NY 11201

▷

Date: JUN 7 1993

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

• Dear Applicant:

This is a Final Adverse Determination as to your exempt status under Section 501(c)(4) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

[REDACTED]'s activities consist of providing particular services to individual persons, such services being readily available to the public for a fee. The services are provided as an economy of scale and are not mandated by law with respect to accepting an undesirable risk or situation as a condition precedent to doing business in the jurisdiction. The applicant is engaged in a commercial activity for a fee on behalf of its members.

The final adverse determination has been made as a result of a request for technical advice. Accordingly, no further administrative appeal is available on the issue of your exempt status. As a result of your conference with the National Office, we have determined that you are not described in Section 501(c)(4) of the Code.

You are required to file Federal income tax returns on the Form 1120 with the appropriate service center.

Sincerely yours, 7

[REDACTED]  
District Director

cc: [REDACTED]

Post Office Box 1680, GPO  
Brooklyn, NY 11202

Date: **MAR 25 1992**

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

The evidence presented disclosed that you were formed as a corporation on [REDACTED] in the State of [REDACTED].

The purposes and goals of the organization as stated in your Certificate of Incorporation are as follows:

1. To facilitate cooperative purchasing of fuel oil for the benefit of all members of the general public who depend on fuel oil as a source of energy.

2. To provide a source of information and education for members of the general public and other interested organizations regarding energy efficiency and conservation of fuel oil.

3. To work with suppliers and consumers of fuel oil in a cooperative effort to enhance efficiency and promote the social welfare.

The actual activities of the organization as stated in its application for exemption are as follows:

1. Educating the public regarding the conservation of fuel, fuel efficiency and energy efficiency in the home.

2. Lowering the cost of fuel oil by pooling the resources of low and moderate income homeowners and tenants to negotiate favorable contracts with retail fuel oil providers. This would promote the social welfare by reducing the unit price through the enhanced negotiating position created by purchasing fuel as a block of consumers instead of individually.

Exhibit [REDACTED]

Income to the organization as per proposed budgets submitted will be derived almost exclusively from negotiating discounts on oil and disbursements will be for personnel, occupancy, office expenses, outreach expenses, and other expenses. Even though the organization states that it will pool the need of its members and then negotiate a bulk purchase, no evidence of any amount to be paid for oil is reflected on the budgets.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4) - 1 (a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it primarily engages in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one that is operated to bring about civic betterments and social improvements.

Revenue Ruling 73-349, 1973-2 C.B. 179 held that an organization formed to purchase groceries for its membership at the lowest possible prices on a cooperative basis is not exempt from tax as a social welfare organization under Section 501(c)(4) of the Code as it is operated essentially for the private benefit of its members.

In Commissioner v. Lake Forest, Inc., 305 F. 2d 814 (4th Cir. 1962), it was held that a corporation that provided housing on a cooperative basis lacked the necessary requirements of an organization described in Section 501(c)(4) of the Code. The Court held the operation to be a private self - help enterprise with only an incidental benefit to the community as a whole.

Similarly, your organization is operated primarily for the private benefit of members and benefits to the community, if any, are not sufficient to meet the requirement of the Regulations that the organization be operated primarily for the common good and general welfare of the people of the community.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(4) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

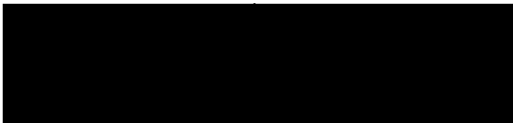
If we do not hear from you within that time, this determination will become final.

Sincerely yours,



District Director

cc:



Enclosure: Publication 892